

This record is a partial extract of the original cable. The full text of the original cable is not available.

C O N F I D E N T I A L SECTION 01 OF 03 DOHA 001823

SIPDIS

E.O. 12958: DECL: 11/08/2015

TAGS: [EPET](#) [ENRG](#) [ECON](#) [ETRD](#) [EINV](#) [PGOV](#) [QA](#) [ALJAZEERA](#)

SUBJECT: SCENESETTER - VISIT OF ENERGY SECRETARY BODMAN TO QATAR

Classified By: Ambassador Chase Untermeyer for reasons 1.4 (b) and (d).

11. (C) Mr. Secretary, we are pleased to welcome you to Doha. Your visit is an important one: you will be the first cabinet-level U.S. official to meet with Qatari officials in Doha this year. Your visit will demonstrate the importance we place on the future of our energy relationship and will help support U.S. businesses as they take advantage of the enormous opportunities here.

12. (C) We have requested meetings with the Amir, Sheikh Hamad bin Khalifa Al-Thani (addressed as "Your Highness"). Your effective host will be His Excellency the Second Deputy Prime Minister and Minister of Energy and Industry, Abdullah bin Hamad al-Attiya, whom you know and with whom your staff met with in June on their visit to the region. He will be your host at Ras Laffan Industrial City and at the inauguration of RasGas Train III and has arranged a dinner in your honor the evening of your arrival. During your visit, you will also meet with American business people in energy and related sectors based in Doha and will visit CENTCOM and our troops at Camp Al Sayliya. Your trip should provide you with a well-rounded perspective of our growing relationship with Qatar.

-----  
Energy Sector  
-----

13. (U) Qatar's economy is one of the fastest-growing in the world, achieving a 20.5% increase in GDP in 2004. Per capita income is nearing \$35,000, exceeding that of the U.S. and soon to be the highest in the world. Qatar's vast wealth has resulted from the successful development of its natural gas resources over the past 10 years with plans for even greater expansion over the next decade. Under the leadership of Abdullah bin Hamad Al-Attiyah, the minister of Energy and Industry, Qatar Petroleum is moving on all fronts to maximize utilization of Qatar's natural resources to diversify the economy and provide business and employment opportunities to Qataris. Since 1999, there has been \$60 billion in foreign investment in Qatar's energy sector, about \$40 billion of it coming from U.S. companies. Qatar plans to invest \$70 billion in the natural gas sector over the next seven years.

14. (U) The GOQ estimates Qatar's oil reserves are at 27 billion barrels. Qatar's daily average production is currently estimated to be 806,000 barrels per day; at current production rates, oil reserves are expected to last about 80 years. Qatar's goal is to increase overall production capacity to over 1 million bpd by 2006. Occidental and Anadarko are the two U.S. companies operating in this sector. Qatar's 900 trillion cubic feet of natural gas reserves are the basis for the country's current economic boom; the resource is expected to last approximately 200 years at existing production rates.

-----  
Oil Production  
-----

15. (U) Foreign oil operators in Qatar include Maersk Oil (Denmark) in Al-Shaheen at 300,000 bpd; Occidental Petroleum in Idd Al-Shargui North and South Domes with a combined 100,000 bpd (90,000 in the North Dome and 10,000 in the South Dome); TotalFinaElf (France) in Al-Kahleej with 30,000 bpd; and, Anadarko (USA) Al-Rayyan with 15,000 bpd. Qatar's oil exports target primarily the Asian market: Japan 71.5%, Thailand 8%, South Korea 8%, Singapore 5.5%, China 3.5% and other countries 3.5%.

16. (U) The U.S. independent Anadarko was awarded Block 4 in August 2004. A subsequent controversial decision made by QP awarded 150 miles of this block to Maersk Oil. QP is looking to tender prospective exploration, production and sharing agreements (EPSA) for four additional blocks: 1, 3, 7 and 14. There are currently no onshore blocks being evaluated for possible production. The last onshore block QP awarded was Block 2 to ChevronTexaco in 1998. QP and ChevronTexaco signed an EPSA for Block 2 which covered an area of approximately 10,900 kilometers. ChevronTexaco has conducted surveys and exploration drilling. In 2001, EnCana (Canadian) and Svenska (Swedish) acquired a stake in Block 2 from ChevronTexaco and now the block is operated through a consortium.

-----  
Natural Gas Production  
-----

17. (U) The majority of Qatar's current development in the energy sector is focused on its natural gas reserves. Discovered in 1971, Qatar's North Field contains 15.3% of world natural gas reserves, third behind Russia and Iran. Estimated at 900 trillion cubic feet (tcf), the North Field is the largest non-associated gas field in the world. The North Field extends over an area of approximately 6,000 square kilometers and is expected to support planned production for over 200 years. QP manages the natural gas sector through its two major joint ventures, Qatargas and RasGas. The GOQ's primary goal is to supply 78 million tons of LNG annually to the international market by 2012 in order to meet about 30% of the global energy needs for LNG. GOQ officials have said that QP would increase its LNG output from 15.1 million tons per annum (mtpa) in 2003 to 20.2 mtpa by the end of 2004. In October 2004, Minister al-Attiyah said that Qatar plans to invest \$70 billion in the natural gas sector over the next seven years. The production facilities for Qatargas, Rasgas and other natural gas related projects are located at Ras Laffan Industrial City.

-----  
Qatargas  
-----

18. (U) Founded in 1984, Qatargas built the first LNG plant in Qatar. Its first sales agreements were signed in 1992. The main activities of Qatargas are divided into two projects with separate shareholder groups: the upstream joint venture (offshore production and the onshore receiving facilities) and the downstream joint venture (onshore LNG plant). ExxonMobil has a 10% stake in both ventures.

-----  
Rasgas  
-----

19. (U) Rasgas was established in 1993 as a \$3.3 billion venture owned by QP (63%), ExxonMobil (25%), Koras (5%), Itochu Corporation (4%) and LNG Japan Corporation (3%). Rasgas can produce and sell 10 mt of LNG per year and additional quantities of related hydrocarbon products for at least 25 years. Rasgas and Qatargas operate three LNG trains each and are developing trains 4-7.

-----  
Al-Khaleej Gas Pipeline Project  
-----

110. (U) A Memorandum of Understanding was signed between QP, ExxonMobil and Kuwait Petroleum Corporation (KPC) in July 2000 to develop a project to transport natural gas from Qatar to Kuwait. A protocol for gas Sale and Purchase Agreement (SPA) between QP and KPC was signed on January 30, 2002 concurrently with the signature of a term sheet between QP and ExxonMobil. In March 2003, the project was awarded to a consortium composed of Japan's Chiyuda Corporation, Mitsui, Italy's Snamprogetti and Al-Mana Group from Qatar. The execution of this project awaits the approval of the Kingdom of Saudi Arabia to allow part of the pipeline to go through Saudi territorial waters. The GOQ has actively sought USG assistance with the Saudis to move this project forward. The Saudis do not appear willing to budge on the matter, and now Qatari gas resources have been reallocated to other projects.

-----  
Ships Ahoy  
-----

111. (U) Qatar is rapidly expanding its fleet of LNG tankers. Qatar has 20 ships currently and has plans to expand to a total of 75 through the QP subsidiary Qatar Gas Transport Company. Qatargas and Rasgas have entered into charter agreements with Japanese and Korean companies that will source the construction of the vessels; Qatar Gas Transport -- Nakilat in Arabic -- will take up to 30% of the various projects. Nakilat has been one of the hottest stocks in the new Doha Securities market; shares were sold to Qataris at QR5 and quickly rose to QR60. It is capitalized at over \$8 billion.

112. (SBU) Qatar is experiencing strong demand for its gas, to the extent that current gas customers must compete for any increase in shipments. Qatar is looking for the best price while taking into consideration risk factors. Gas-to-liquids (GTL) projects already signed will proceed; these projects are with Shell, Exxon-Mobil, and Sasol. Projects that had been under discussion have been put on hold. Ministry and QP officials have said that this is because GTL has a higher

risk associated with it and a high investment price tag. Rather than over-investing in this technology, Qatar plans to market its gas as LNG and sell to reliable customers at a good price with low risk.

-----  
What's Happening to the Gas Reserves  
-----

13. (SBU) Natural gas coming on-line in the near term is fully allocated, including gas proposed for the pipeline to Kuwait. Expansion of the Dolphin project (a pipeline to the United Arab Emirates) is an example of how gas has been re-allocated rather than assigned to new customers. Qatar appears to be holding back on overly-rapid expansion of gas extraction while it analyzes the reserves in the North Field and how extraction is affecting the subsurface flow. QP has capped current daily production at 25 million cubic feet.

-----  
Trade Issues  
-----

14. (U) Qatar signed a Trade and Investment Framework agreement with the U.S. in March 2004 but has not yet achieved a Free Trade Agreement of the sort the U.S. has with Bahrain and soon will have with Oman and UAE. Achieving an FTA will require Qatar to remove such trade obstacles as mandatory majority Qatari ownership of most businesses, the government telecom monopoly, restrictions to foreign investment in the financial services sector, labor issues, and transparency in government procurement.

-----  
Political Reform  
-----

15. (U) Qatar's own program of reform, launched by the Amir after he assumed power in 1995, took a significant step forward in June of this year when its first constitution officially came into force. The constitution calls for a two-thirds elected national legislature. These elections have not been announced but are expected to take place sometime in early 2007. Qatari women will have the right to vote and will be encouraged by the government to run for office. In municipal elections in 1999 and 2003, women here were the first in the Gulf region to cast votes, and one woman was elected to the council.

-----  
Dramatic Changes in Education  
-----

16. (U) Education reform, headed by the Amir's wife, Sheikha Mozah, is becoming a showcase. This reform includes a sweeping revamp of Qatar's pre-university and higher education system based on Rand Corporation recommendations. Also as part of this effort, Qatar has brought to its "Education City" branch campuses of Texas A&M University, Virginia Commonwealth University, Carnegie-Mellon, and Weill-Cornell Medical College, and Georgetown University. These have been ground-breaking efforts that have been hailed by many as models for other states in the region.

-----  
Al-Jazeera  
-----

17. (S/NF) Al-Jazeera remains the chief stumbling block to what is otherwise robust cooperation, impacting an increasing number of areas. In response to our repeated protests and appeals, Al-Jazeera's management has reduced the air time given to Al-Qaeda and kidnappers' videos and has made efforts to address the inflammatory nature of its reporting from Iraq. The channel has highlighted to us its coverage of pro-democracy movements in Lebanon and Egypt as well as broader coverage of Middle Eastern politics. Al-Jazeera Managing Director told the Ambassador, "If the Americans want to find a proper partner in its effort to get democracy and reform, they won't find a better one than Al Jazeera."

18. (S/NF) In her meeting with the Qatari foreign minister in September, Secretary Rice reflected the consensus of opinion among USG agencies monitoring Al-Jazeera that the station has shown some signs of improved broadcasting but still a threat to U.S. forces in Iraq due to its anti-American editorial bent.

UNTERMEYER